

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

SAJ-01 EB-11 COME-00 OMB-01 SCI-06 FEA-02 INT-08 IO-14

ACDA-19 SS-20 NSC-10 DRC-01 /173 W

----- 109790

R 152143Z JAN 74

FM USMISSION NATO

TO SECSTATE WASHDC 3566

SECDEF WASHDC

INFO AMEMBASSY LONDON

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L USNATO 0195

E.O. 11652: GDS 12/31/80

TAGS: MARR, US, NATO

SUBJ: UK NOTE ON BILATERAL DEALS WITH OIL PRODUCING COUNTRIES

UK DEL CIRCULATED FOLLOWING NOTE DATED 1/14/74 TO THE CHAIRMAN
AND MEMBERS OF THE SCEPC AND TO THE CHAIRMAN OF THE ECONOMIC
COMMITTEE: QUOTE:

BILATERAL DEALS WITH OIL PRODUCING COUNTRIES

1. THERE HAVE APPEARED SUGGESTIONS IN THE PRESS RECENTLY
THAT THE UNITED KINGDOM HAS CONCLUDED, OR IS ABOUT TO
CONCLUDE, BILATERAL DEALS FOR OIL AGAINST ARMS, INVEST-
MENT, INDUSTRIALISATION, TECHNICAL ASSISTANCE, OR A
MIXTURE OF ALL THESE ELEMENTS, WITH A NUMBER OF OIL
PRODUCER GOVERNMENTS. THESE HAVE BEEN GIVEN NEW CURRENCY
BY REPORTS THAT THE FRENCH GOVERNMENT HAVE CONCLUDED A
LONG-TERM DEAL FOR OIL WITH SAUDI ARABIA. IT HAS BEEN
REPORTED THAT JAPAN, THE FEDERAL REPUBLIC OF GERMANY, AND
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SOME OTHER EUROPEAN COUNTRIES HAVE ALSO BEEN TRYING TO
SECURE SUPPLIES OF OIL BY MEANS OF SUCH DEALS.

2. THE UNITED KINGDOM VIEW IS THAT WE DO NOT BELIEVE THAT
THERE IS ANY INCOMPATIBILITY BETWEEN THE PURSUIT OF THE

GOAL OF CONSUMER COOPERATION, OR OF A COMMUNITY ENERGY POLICY, AND OUR OWN PARALLEL BILATERAL EXPLORATIONS WITH E.G. THE SAUDIS AND THE IRANIANS. OUR CONTACTS WITH ARAB PRODUCERS HAVE CONCENTRATED ON GETTING THE OIL WEAPON RELAXED. BUT IN THE COURSE OF THESE CONTACTS WE HAVE ALSO HAD APPROACHES ABOUT FUTURE OIL SUPPLIES. THE POINTS WE MUST CONSIDER INCLUDE:

A. IN A PERIOD OF CONTINUING SUPPLY SHORTAGES, IT WOULD BE IRRESPONSIBLE NOT TO DO ALL WE CAN TO SEEK INCREASE AVAILABLE SUPPLIES. A NUMBER OF PRODUCER STATES, NOTABLY SAUDI ARABIA, HAVE MADE IT VERY CLEAR IN RECENT MONTHS THAT IN THE FUTURE INCREASED PRODUCTION WILL BE AUTHORISED ONLY IN EXCHANGE FOR CONTRIBUTIONS TO THEIR ECONOMIC AND INDUSTRIAL DEVELOPMENT.

B. PRODUCER GOVERNMENTS ARE PLANNING TO SELL THEIR PARTICIPATION OIL DIRECT TO CONSUMERS, AND IN SOME CASES ON A GOVERNMENT-TO-GOVERNMENT BASIS. AGAIN WE NEED TO ESTABLISH JUST WHAT THEY HAVE IN MIND.

C. OUR OWN EXPLORATORY CONTACTS ARE STILL AT AN EARLY STAGE.

D. THE INITIATIVE FOR THE DISCUSSIONS WE HAVE HAD CAME IN EACH CASE FROM THE PRODUCER COUNTRY CONCERNED. IF WE HAVE REBUFFED THEIR APPROACHES, IT WOULD HAVE ALIENATED THEIR SYMPATHY AND COULD DAMAGE THE PROSPECTS FOR COOPERATION WITH PRODUCERS MORE GENERALLY.

E. A CRUCIAL QUESTION WILL BE PRICE. WE ARE NOT IN FAVOUR OF BILATERAL DEALS WHICH MIGHT ACCELERATE PRICE ESCALATION. NOR ARE WE IN FAVOUR OF WHITTILING AWAY THE ROLE OF THE INTERNATIONAL OIL COMPANIES: THEY HAVE SERVED THE INTERNATIONAL COMMUNITY WELL
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IN THE PAST AND WILL, IN OUR VIEW, HAVE A CONTINUING ROLE TO PLAY IN THE EXPLORATION, DEVELOPMENT AND DISTRIBUTION OF OIL. BUT WE HAVE TO RECOGNISE THE PRODUCERS WILL, MORE AND MORE, TREAT THEM AS EXPERTS IN EXPLORATION AND DISTRIBUTION AND TEND TOWARDS A SERVICE-CONTRACT TYPE RELATIONSHIP.

F. WE ARE WELL AWARE OF THE PROBLEMS THAT THE COMPLETELY NEW SITUATION CAN POSE, AND REMAIN COMMITTED TO COOPERATION WITH OTHER CONSUMERS. WE ARE EXPLORING, AND IN DOING SO WE HAVE THE INTERESTS OF OUR PARTNERS IN MIND ALSO, FOR EXAMPLE THE POSSIBILITY THAT ANYTHING THAT THE PRODUCERS ARE PREPARED TO OFFER COULD BE DEVELOPED ON A EUROPEAN RATHER THAN A

NATIONAL BASIS.

G. IN THE LATTER CONTEXT WE ARE READY TO CONSIDER
WITH OUR EEC PARTNERS THE DEVELOPMENT OF A COMMUNITY
FRAMEWORK WITHIN WHICH BILATERAL DEALS, WHICH ANY
EEC MEMBER MAY CONCLUDE, COULD BE SUBSUMED.

3. NONE OF OUR DISCUSSIONS WITH PRODUCER GOVERNMENTS ARE
CONNECTED IN ANY WAY WITH THE SUPPLY OF ARMS. WE HAVE,
OF COURSE, SOLD ARMS TO A NUMBER OF OIL PRODUCING
COUNTRIES AND FURTHER SALES ARE UNDER DISCUSSIONS. BUT
THERE IS NO LINK BETWEEN OIL AND ARMS SUPPLIES. RUMSFELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 11 JUN 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 15 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ATO00195
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS 12/31/80
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740173/abbrysqd.tel
Line Count: 122
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Jul-2001 by boyleja>; APPROVED <28 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UK NOTE ON BILATERAL DEALS WITH OIL PRODUCING COUNTRIES
TAGS: MARR, US, NATO
To: STATE
SECDEF INFO LONDON
EC BRUSSELS
OECD PARIS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005